

**SELF-HELP and URBAN SELF-HELP PROGRAMS
FEDERAL LAND AND WATER CONSERVATION FUND
APPRAISAL REPORT GUIDELINES**

If your project involves an acquisition, the appraisal reports are absolutely critical to the success of your project. All properties to be acquired must be appraised in accordance with the Division's requirements by a qualified, independent and disinterested appraiser. The reports must be submitted along with the preliminary application by the grant round application deadline. If your project is selected for funding, you should wait until DCS has certified a value based on the appraisal reports before you begin formal negotiations with the owner. Because these reports determine the possible grant award, and because they are reimbursable under the Self-Help and Urban Self-Help programs, it is to your advantage to make sure that they are acceptable reports in the early stages of your project. The appraisal used to certify a value must not be more than a year old, when measured from the effective date of the appraisal to the date the transaction is closed. Attached are the appraisal standards covering both the required documentation, as well as the type of report necessary based on the estimated value of the property.

1. **Number and Type of Appraisal Reports Required:** If the subject property is worth more than \$75,000, or if it is to be purchased from another public agency, or involves an exchange of real property, two full appraisal reports submitted by two different appraisers are required. For property worth between \$25,001 and \$75,000, one full appraisal and one limited appraisal is required. For property worth between \$1.00 and \$25,000, two limited appraisals are required. Neatness counts. A full narrative appraisal is a comprehensive analysis, substantiated by documented market data, of the value of a property. Full appraisals must be bound, in book-fashion, in the left margin, in a durable cover with an identification of the property on the cover page. The paper must be a good grade bond of size 8 1/2"x 11". All pages must be numbered consecutively, including all exhibits, and each important heading must be shown in the Table of Contents. Special note for federally funded projects: proposals submitted to the National Park Service for federal assistance under the Land and Water Conservation Fund must also comply with the Uniform Appraisal Standards for Federal Land Acquisitions. These standards are available at www.usdoj.gov/enrd/land-ack/yb2001.pdf. If your project is selected for federal funds, you may be required to revise your appraisal reports.

2. **The Appraiser's Scope of Practice:** The appraiser must be licensed and/or certified by the Massachusetts Board of Registration of Real Estate Appraisers, and have the appropriate license or certification for the type of land that is appraised. In addition, the appraiser must be certified in accordance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). The appraiser should supply you with this professional information at your request. Often the project will require a state certified general real estate appraiser. The following is an excerpt from the state regulations for the Board of Registration of Real Estate Appraisers.

264 CMR 7.00 SCOPE OF PRACTICE

7.01: Scope of Practice

(1) State Licensed Real Estate Appraisers. State-licensed real estate appraisers may appraise non-complex one-to-four unit residential property having a transaction value less than \$1,000,000 and complex one-to-four unit residential property having a transaction value less than \$250,000.

State-licensed real estate appraisers may appraise vacant or unimproved land that is utilized for one-to-four family purposes, and where the highest and best use is for one-to-four family purposes.

State-licensed real estate appraisers may not appraise subdivisions wherein a development analysis/appraisal is necessary and utilized.

In addition state-licensed real estate appraisers may appraise properties as specified by the Federal Financial Institution Regulatory Agencies.

(2) State-Certified Residential Real Estate Appraisers. State-certified residential real estate appraisers may appraise residential properties with one-to-four units without regard to transaction value, as well as complex one-to-four unit residential property without regard to transaction value.

State-certified residential real estate appraisers may appraise vacant or unimproved land that is utilized for one-to-four family purposes, and where the highest and best use is for one-to-four family purposes.

State-certified residential real estate appraisers may not appraise subdivisions wherein a development analysis/appraisal is necessary and utilized.

In addition, state-certified residential real estate appraisers may appraise properties as specified by the Federal Financial Institution Regulatory Agencies.

(3) State-Certified General Real Estate Appraisers. State-certified general real estate appraisers may appraise all types of real property. Regulatory Authority: 264 CMR 6.00 (promulgated 6/28/96); M.G.L. c. 13, s. 92; M.G.L. c. 112, §. 173-195.

3. **The Appraiser's Contract:** Include the appraisal standards as a condition of the appraiser's contract. Consider withholding final payment to the appraiser until DCS accepts the report.
4. **Common Comparable Sales Problems:** Reports usually contain comparable sales and the examples offered should be just that: comparable. The locations should be similar, preferably the same town. If they are not, the narrative must explain why that particular sale is still comparable. The highest and best use and market situations of the comparable sale should be the same as the subject property. These sales must also represent arms length transactions - generally municipal transactions are not arms length.
5. **Common Valuation Problems:** The highest and best use must reflect a market situation, and typically "open space" or "conservation" is not a marketable situation. If the subject property cannot support development, perhaps it would be attractive to abutters who wish to add to their own holding (assembly) or the property may have some timber value, or if the property is part of a larger parcel, a before and after value should be determined. Any restrictions placed in the deed by the grantor (seller) can possibly lower the value of the property. Special Note: appraisals submitted as part of a conversion proposal must value the converted property as if it were developable, unencumbered by any conservation or recreation restrictions.
6. **Complicated Circumstances:** Appraisals should be analytical narrative reports following current professional appraisal standards. All components of the report such as introductory and supporting data, valuation analysis, limiting conditions, and certifications should meet these standards. If necessary, the Division of Conservation Services will furnish supplementary specifications which delineate additional required data in the appraisal of highly specialized properties or properties to be acquired under unusual circumstances.
7. **Limited Appraisal Report:** A limited appraisal is a statement from a qualified appraiser that a property is worth a given amount. It can be based upon the appraiser's knowledge of land values, and should be substantiated by some documented data such as comparable sales, timber cruiser's report, etc. Limited appraisals should include a short statement of the appraiser's experience and qualifications, a brief description of the factors considered in valuing the property and the means by which the appraiser concluded the value of the parcel. The Division of Conservation Services reserves the right to request additional information if it deems the limited appraisal to be inadequate. Please see additional notes on page 8.
8. **Eminent Domain Taking:** Clients should notify the appraiser if eminent domain taking is contemplated or a possibility. All participants must provide for fair and equitable treatment of persons and businesses to be displaced as a result of the Project. Participants must abide by the requirements of M.G.L. c. 79A or c. 80A (both pertain to eminent domain takings), as amended. Titles II and III of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) must be complied with if the participant is seeking concurrent federal financial assistance or if subsequent development stages are contemplated with the use of any federal funds.
9. **Review Appraisal:** Generally, when appraised values are within 10% of one another there will be no need for further appraisal resolution providing both reports are found to be adequate. Appraisers may be asked to reconcile their value differences, however, when the values differ by more than 10%. When, in the opinion of the Director, the value of the property remains in doubt, further appraisals may be required to reach a value conclusion. The resolution of value may be accomplished through the performance of entirely new appraisals or through the engagement of an appraiser as qualified above for the purpose of reviewing existing appraisal reports and certifying a final value conclusion. This same procedure also applies to limited appraisals deemed inadequate by the Director, or which differ by more than 10% in value.

APPRAISAL REPORT REQUIREMENTS

I. INTRODUCTION

1. Title Page

- a. Land area of subject property
- b. Street number and town location
- c. Name of property owner(s)
- d. Effective date of appraisal
- e. Name and address of appraisers

2. Table of Contents - List all essential items in the report.

3. Owner's Property Inspection Certificate

The appraiser must invite the landowner or his or her representative to accompany the appraiser during inspection of the property. To allow the landowner time to make the necessary arrangements, the invitation should be made appropriately in advance of the planned inspection date. Reasonable efforts should be made to include the landowner or his or her representative in the inspection. The appraiser should consider any information the landowner may provide which is relevant to the issue of the value of the property inspected. However, the appraiser must use his or her best judgement as to the usefulness of any information provided by the landowner. Include the Certificate stating that the landowner or designated representative has participated or declined to participate in the field inspection of the property in the addenda of the appraisal report. See Certificate form on page 9 of these requirements.

4. Statement of Limiting Conditions

The appraiser should state that he/she assumes the title to be marketable, that he/she assumes no responsibility for legal matters, and that all data furnished by others are presumed correct. The appraiser should also mention any other assumptions he/she has made.

5. Summary of Important Facts and Conclusions

II. FACTUAL DATA

1. Purpose of Appraisal and Definition of Value(s) required, and reason for the appraisal.

2. Identification of the Property

Legal description of the whole tract and that to be acquired. Properly identify the area (plot plan, etc.)

3. Area and Neighborhood Analysis

The appraiser should present all findings and conclusions about the external influences (social and economic) that could affect the value of the subject. The presentation should be analytical and related to the valuation problem at hand. Avoid itemization of facts and figures not pertinent to value. Include: (Items d, e, and f required for appraisals of developable land only).

- a. Description of Community (rural, suburb, resort, etc.)
- b. Ten-year population trend
- c. Reasons for trend, i.e., new industries, outward migration, etc.
- d. Rate of construction activity in town
- e. Number of bona fide building permits issued in past five years, and those pending, for type of development considered for the subject property
- f. How many lots per year could be absorbed?
- g. Utilities available in area
- h. Attitude of town officials toward development
- i. Master Plan for town?
- j. Immediate neighborhood - dominating influences and detrimental factors?

4. Area Map

Must indicate location of subject property as exactly as possible (a state highway map is suggested)

5. Location and Neighborhood Map

Must show roads leading to subject to facilitate inspection by review appraiser (a U.S.G.S. topographic map is suggested)

III. PROPERTY DATA

1. Site Description

- a. Total land area and brief description of improvements
- b. Total acreage under appraisal
- c. Shape of parcel and bordering properties
- d. Total street frontage
- e. Type of land - field, wooded, ledge, marsh, etc.

- f. Brooks, rivers, etc.
 - g. Soil description and analysis from U.S.D.A. Soil Survey
 - h. Utilities available to site (how far from sewer/water lines)
 - i. If no town sewer, will property perc?
 - j. Include perc. test results, if available
 - k. If no town water, will town allow new wells?
 - l. Check possibility of fertilization contamination of wells if land has been farmed
 - m. Easements
 - n. Gravel, loam, timber, etc. - commercial value? A statement must be made concerning the existence or nonexistence of mineral deposits, loam and timber, having a commercial value.
 - o. Site Plan (adequate for eminent domain takings if necessary)
2. Exhibits - May be placed in the body or Addenda of the report at the discretion of the appraiser.
- a. Soil Map
 - b. Topo map on which the boundaries of subject are superimposed
3. Improvements and Conditions
This description may be by narrative or schedule form and must include dimensions, cubic and/or square foot measurements, and where appropriate, a statement of the method of measurement used in determining rental areas such as full floor, multi-tenancy, etc. Site and Improvements Analysis will show the appraiser's findings from inspection of the site and buildings, including an indication of both positive and negative features that influence value. This discussion should set out succinctly the basis for the adjustments and/or deductions made by the appraiser in applying the several alternative analytical approaches to value estimation.
4. Equipment
This must be described by narrative or schedule form and must include all items of equipment and their state of cannibalization. The current physical condition and relative use and obsolescence must be stated for each item or group appraised, and whenever applicable, the repair or replacement required to bring the property to useable condition. Any related possessions or equipment, such as tenant trade fixtures, which are not attached or considered part of the realty, must be separately inventoried. Where applicable, these detachable or individually owned items must be separately valued.
5. History
State briefly the purpose for which the improvements were designed, dates of original construction and major renovation and/or additions; include, for privately owned property, a ten-year record for each parcel, of all sales and if possible, offers to buy or sell, and recent lease(s); if no sale took place in the past ten years, include a report of the last sale. The history should include parties to the transaction, dates of transfer, and consideration paid. If the property has been owned by the present owner for more than ten years, the appraiser should so state.
6. Assessment
Current assessed valuation (state if property is under M.G.L. c. 61, 61A or 61B) tax rate and annual tax bill. If the property is not taxed, the appraiser must estimate the assessment and probable taxes if property were placed on the tax rolls.
7. Insurance
Give the estimated rate per thousand and the annual cost of adequate insurance coverage (not necessarily present coverage). Only applicable on income approach.
8. Zoning
- a. Zoning of subject property, including dimensional requirements
 - b. Wetlands if applicable; floodplain regulations, overlay districts; water resource of acquire protection districts.
 - c. Include pertinent section from by-laws, if possible (in Addenda)
 - d. Copy of subdivision control law or excerpts if applicable (in Addenda)
 - e. If property is not zoned, state what the zoning probably would be, and if rezoning is imminent, discuss further.

IV. ANALYSIS AND CONCLUSIONS

1. Highest and Best Use
- a. The report must state the highest and best use that can be made of the property as vacant and with existing improvements and where applicable machinery and equipment for which there is a current market. In the appraisal of vacant land, the terms "highest and best use" and "feasibility" should be synonymous and foremost in the appraiser's thought process.
 - b. Assuming the highest and best use of undeveloped land is for residential subdivision (based on an analysis of all the preceding data), the narrative should be accompanied by a subdivision sketch showing the number of sites the tract would yield. While it need not be prepared with the exactness of a surveyor's plan, the sketch should show an outline of the number of lots which could be subdivided and clearly indicate those areas unsuitable for development because of wetlands, ledge, severe slope, etc.
 - c. A study of the zoning should reveal, and the report should discuss the following information:
 - (1) Are pork chop lots, cluster development, condominiums, etc. allowed?
 - (2) Is zero lot line development permitted?

- (3) Would a higher lot price for buildable land result if non-buildable land were designated as permanent open space?
 - (4) Would a greater net value result from sales of over-sized lots utilizing only existing street frontage?
 - d. Will the town pay for extension of sewer/water lines to site?
 - e. Acceptability of on-site sewer, water facilities.
 - f. Value of gravel or any other minerals or timber having commercial value on site.
 - g. Special requirements of Planning Board and/or Conservation Commission.
 - h. Number of lots that could be sold per year/total sell-off time.
 - i. If the estimate of highest and best use is for a use not permitted under the zoning, the appraiser must demonstrate a reasonable probability for a change in zoning for such use.
2. The Appraisal Process
- a. Standard definitions
 - b. If both Cost of Development Approach and Direct Sales Comparison Approach have not been used, in valuing land, why? If Income, Cost, or Sales Comparison Approaches have not been used in valuing improved property, why?
3. Valuation of Vacant Land Cost of Development Approach
- a. See Highest and Best Use section
 - b. Cost figures should be confirmed with local developers and professionals and, if deemed necessary, and engineering report should be included.
 - c. Local fees and procedures should be checked (e.g., tap-in fees, park-land provisions, etc.)
 - d. Extreme care must be exercised in estimating annual cash flow (Front end costs may make the use of averages inappropriate)
 - e. The discount rate must be supported by the market and equated to the risk involved. The risk rate in land development is generally higher than for income-producing real estate.
 - f. The appraiser must allow for the land developer's profit i.e., return on investment. This may be expressed as a percentage mark-up of original cost or a percentage discount of final selling prices.
 - g. Retail lot prices (by lot type if more than one category) should be supported by a comparable sales table. In valuation assignments relative to small parcels of land or approved building lots, the primary method of appraisal must be the Direct Sales Comparison Approach provided that truly comparable sales can be found. In appraisals of large parcels, it is highly unusual to find truly comparable acreage sales and, therefore, to make meaningful comparisons between acreage sales for such variables as street frontage, topography, development cost, existence of wetlands, etc. Therefore, in appraising large parcels of land with definite development potential, the cost of Development Approach should be relied upon and closely supported by a value range arrived at through use of comparable but somewhat dissimilar acreage sales. The most reliable method of valuing unbuildable land is through use of sales of comparable unbuildable land.
4. Direct Sales Comparison Approach
- a. Comparable sales (lots and acreage) should be summarized including perimeter sketches (include in Addenda)
 - b. A comparable sales map should be included
 - c. Sales should be presented in table form, showing adjustment for time
 - d. Each sale must be discussed in detail in the narrative including such factors as:
 - (1) time
 - (2) location (desirability, view, etc.)
 - (3) zoning
 - (4) frontage
 - (5) topography (including soil type)
 - (6) utilities
 - (7) cost of extending or installing utilities
 - (8) financing (mortgage back, etc.)
 - (9) contingency sale based on future development of individual lots
 - e. Sales from neighboring towns may be used if necessary, providing adjustments are made for market characteristics, etc.
5. Valuation Improved Properties
- a. Cost Approach: This approach must include calculations of reproduction or replacement cost of the improvement(s) and state the source, (book and page or computer printout, if a national cost service), of all figures used. The dollar amounts of physical depreciation and functional and economic obsolescence or the omission of same must be explained in narrative form. Depreciated costs new of improvements should then be added to a land value, supported by adjusted comparable land sales, and an appropriate developer's profit to indicate the value of the appraised property.
 - b. Income Approach: This approach must include adequate market data to support each of the costs, rents, and capitalization or discount rates used, and must be arranged in detailed form to show at least 1) estimated gross rent

or income; 2) allowance for vacancy and collection loss; 3) an itemized estimate of total expenses, 4) net operating income. N.O.I. must be capitalized at an appropriate overall rate (with market support) into an indicated market value. Investment properties may (also) require a Discounted Cash Flow Analysis, reflective of the requirements of investment/buyers in the current market.

c. Direct Sales Comparison Approach: All comparable sales used must be confirmed by the buyer, seller, broker, or other party having knowledge of the price, terms, and conditions of sale. Each comparable must be explained and adjusted in relation to the subject property to indicate the reasoning behind the appraiser's value estimate as indicated by this approach. Adjustments for time, location, size, age and condition and terms of sale and financing, should be included as well as the conditions of each sale. Photographs of comparable sales are required.

V. VALUE SUMMARY - VACANT LAND VALUATIONS

1. The estimate of value arrived at by means of the Development Approach should be compared on a per acre basis with the value arrived at by the Direct Sales Comparison Approach.
2. If the values do not closely agree, the reason for the divergence should be explained fully.

VI. CORRELATION AND FINAL VALUE ESTIMATE - IMPROVED PROPERTY VALUATION

The appraiser must interpret the values indicated by each approach, and must state his reasons why one or more of the conclusions reached are indicative of the market value of the property.

1. Less than Fee Acquisitions

Where the appraisal is for determination of the value of less than fee interests in land (e.g. conservation restrictions or easements), the appraiser must determine the value of this interest by use of the before and after method. The appraiser must fully detail the analysis of the highest and best use of the subject property without the restriction or easement, and clearly explain any changes in the highest and best use after imposition of the restriction or easement.

2. Severance Damages

If the property being appraised is a partial acquisition or taking, or is a separate parcel but physically contiguous to other land of the owner, or is under the same ownership but physically non-contiguous to the other land of the owner (but which may add value to the non-contiguous parcel, e.g., by providing access to a body of water), severance damages must be fully described and discussed. The method of value estimation must be the before and after method. The amount of the severance damages must be determined mathematically as well as described in narrative form.

3. Enhancement

The appraiser must investigate and determine whether the acquisition will enhance the value of the remaining property of the owner. If so, the method of value estimation must be the before and after method. The Report must set forth the enhancement value separately, with a full discussion and analysis of the factors giving rise to the enhancement.

VII. CERTIFICATION OF APPRAISER

1. He/she has personally inspected the property.
2. He/she has no present or contemplated interest in the property.
3. Appraiser's opinion of the market value of the property giving the date of the valuation, the amount of the valuation, the appraiser's signature, and the date the appraisal report was submitted.

VIII. REQUIRED EXHIBITS IN REPORT OF ADDENDA

(Any or all items may be placed in the body of the report at the discretion of the appraiser.)

1. Comparative sale data map - showing location of comparable sales used in appraisal.
2. Location map - showing locus of the subject property and neighborhood and area involved.
3. Plot plan and/or floor plan if appropriate - These plans can help the viewer visualize the written description of the subject property and both positive and negative features. Wetlands and flood plain maps if appropriate.
4. Adjustment chart or graph - showing comparable sales adjusted to the subject by those factors of comparability.
5. Photographs - Pictures must show at least the front elevation of the major improvements, plus any unusual features. There should also be views of the abutting properties on either side and that property directly opposite. When a large number of buildings are involved, including duplications, one picture may be used for each type. Views of the best comparables should be included whenever possible. Except for the overall view, photographs may be bound as the page facing the discussion or description that the photographs concern. All graphic material must include captions.
6. Owner's property inspection certificate.
7. Appraiser's qualifications.

Notes on Limited Appraisal Reports

A limited appraisal report is a brief description of the subject property to include physical characteristics, present use, zoning, public utilities associated with the land, deed restrictions, and any other pertinent information. A limited report includes:

1. A legal description of the real property to be acquired and a plat.
2. At least a 5-year history of conveyances (sales and transfers), including parties to the transactions, dates of purchase, and amounts of consideration.
3. An analysis and statement of the property's highest and best use.
4. Supporting data, including two or three comparable real property sales, a brief analysis of those sales, and a map showing their locations relative to the land acquired.
5. The appraiser's certification and signature.
6. The date the value estimate applies.
7. A statement of the appraiser's experience and qualifications.
8. A signed Owner's Property Inspection Certificate (see page 8).

Sources And References

These appraisal specifications are based on material from the following sources:

1. Appraisal Specifications of the U.S. Government
2. Appraisal Specifications of the Commonwealth of Massachusetts Department of Agriculture's APR Program.
3. The Internal Revenue Service Tax Appraisal Regulations as published in the Federal Register, December 31, 1984.
4. EOEA Land Acquisition Policy -- Appraisals dated September 1, 1995.
5. Federal Land and Water Conservation Fund Grants Manual Chapter 675.2.6.B.
6. Uniform Standards of Professional Appraisal Practice, 1993.
7. Uniform Appraisal Standards for Federal Land Acquisitions. These standards are available at www.usdoj.gov/enrd/land-ack/yb2001.pdf. If you project is selected for federal funds, you may be required to revise your appraisals.

OWNER'S PROPERTY INSPECTION CERTIFICATE

1. _____ (_____) _____
Name(s) of Supposed Owner(s) Telephone Number with Area Code

Address

Town/City State Zip Code

2. Please check appropriate line

_____ I wish to accompany the appraiser on an inspection of my property.

_____ I wish to have my representative accompany the appraiser(s) on an inspection of my property. (Please fill in Item 3.)

_____ I do not wish to accompany the appraiser(s) on an inspection of my property.

3. _____ (_____) _____
Name of Authorized Representative Telephone Number with Area Code

Address

Town/City State Zip Code

4. The following individuals and/or entities occupy the premises in accordance with an agreement as indicated (lease, life estate, etc.):

a. _____ b. _____
Name of Individual or Entity Name of Individual or Entity

_____ Occupied Premises Occupied Premises

_____ Type of Agreement Type of Agreement

5. I certify that I have given the above-referenced tenants or occupants notice of the appraiser's inspection of the property.

Name(s) of Supposed Owner(s)

6. I hereby authorize the appraiser to enter and inspect the property, after reasonable notice, for the purposes of preparing an appraisal.

Owner's Signature Date